

# TABOO OPINIONS #16

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7-25-04 I suspect something awful is going on under the surface of this economy...and I'm on the edge of ecstasy.

Let me explain, if I can.

According to a lot of highly respected economists, financiers and investors of pessimistic mindset, INFLATION is loose and will soon show its ugly face to everyone in unmistakable forms.

Those of optimistic mindset say not-to-worry, inflation is healthily minimal and will not explode in our faces.

The major cause of this terrifying ogre (say the doom&gloomers) is the Federal Reserve Board (led by that madman, Alan Greenspan) which has for years encouraged massive debt accumulations via low interest rates in order to keep the economy from sinking into recession/depression.

The dirty big secret of economy stimulation is that money on that scale must be borrowed into existence by government deficits, by business borrowings, and by personal debt accumulations via house mortgages, car loans, and maxed-out credit card balances.

These mountainous (and growing) accumulations of money are now (they say) forcing prices higher and higher as that cash is spent and spent and spent by the borrowers, then by the merchants, then by their suppliers, then by the manufacturers and by the workers...

But what happens when that money spending cycle winds down as paid-back loans, defaulted loans, bad spending decisions and bad investments inevitably weaken the stimulation of all that borrowed money?

Whazat you ask? How can a paid-back loan be bad? It's bad because a paid-off debt kills that money! That borrowed into existence money vanishes when that debt is retired. It must be replaced by another loan to somebody (and then some!) or the money supply shrinks and that other, even uglier creature called DEFLATION stirs in its coffin and scares the shit out of central banks and governments and corporate CEO's.

Because deflation means less money in existence to pay off all those monstrous "stimulation" debts. It means DEPRESSION as profits

and wages vanish into tidal waves of defaults, bankruptcies and endlessly delayed payments.

Once that cycle of vanishing money and unpayable debts death gets into gear, feeding on itself (to shamelessly mix metaphors) it must run its terrible course and result in a nation (maybe the whole world) traumatized by the experience.

And the further horror of the situation is that people, corporations, and governments will for decades thereafter be terrified of debt (as they were in the 1930s, '40s and '50s as a result of the Great Depression. And no amount of "easy loan" promises will lure them back into the black hole of debt... Their kids and grandkids will, of course, succumb, but that's the way it goes.

As for my present glorious anticipation of the onrushing next Great Depression---I perceive a current reality in which the stock markets cannot reach new highs and in fact are sinking back into the primary bear market of the past few years since the crash, in which the price of gold cannot stay above \$400 per ounce, in which the price of oil stays above \$40 per barrel, and in which the dollar is actually gaining purchasing power vs. the yen and the euro, and in which foreign investments in the U.S. are declining, month by month.

It appears that all that Fed stimulation---record low interest rates, record trade deficits, record federal budget deficits, record housing bubble with accompanying mortgage debt levels...have all shot their wads...and now, with wages and salaries not even keeping up with "inflation" it appears the holy consumer is at or very near the end of his credit rope.

And all that overhanging debt must be paid...

God! I shiver with delight!

And by the way, I put inflation into quotes up there--- "inflation" because the word is misused by EVERYBODY and has been, increasingly, for decades.

Nowadays 'inflation' is used to mean the rate of cost-of-living price increases. This use disguises and hides its true meaning: the process of creating new money above the natural needs of an economy.

Oh, I could go on and on...

But for now I'll end this diatribe and slink back into my cave to hug myself with glee.

Yes, Virginia, there is another Great Depression coming. It is not a myth. The ground is trembling. Feel it?

END TABOO OPINIONS #16